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**Health Care Committee**

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**HB 2464**

**Brief Description:** Extending the moratorium on specialty hospitals.

**Sponsors:** Representatives Curtis, Moeller and Cody.

**Brief Summary of Bill**

- Extends the prohibition that precludes the Department of Health from granting licenses to specialty hospitals where a physician has an ownership or investment interest until July 1, 2007.

**Hearing Date:** 1/24/06

**Staff:** Chris Blake (786-7392).

**Background:**

The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) prohibited physicians from referring patients to certain specialty hospitals in which the physicians have ownership or investment interests. The MMA also prohibited these hospitals from billing Medicare or any other entity for services provided as a result of a prohibited referral. These prohibitions were effective from December 2003 until June 2005. This moratorium applied to new hospitals primarily or exclusively engaged in the care and treatment of patients with cardiac or orthopedic conditions and patients receiving surgical procedures.

During the moratorium, the Federal Centers for Medicare and Medicaid Services (CMS), the General Accounting Office, and the Medicare Payment Advisory Commission (MedPAC) conducted studies of specialty hospitals to determine their impact on general hospitals and the Medicare program. MedPAC released its report to Congress in March 2005 and made several recommendations that would require Congress to take legislative action. Among these, the report recommended that Congress extend the moratorium on specialty hospitals through January 2007. CMS issued its report in May 2005 in which it decided to administratively continue the moratorium until February 15, 2006. During that time CMS has been reviewing its payment rates and procedures for approving hospitals to participate in Medicare.

In 2005, chapter 39 (SSB 5178), Laws of 2005 was enacted which prohibits the Department of Health from issuing a license from January 1, 2005 until July 1, 2006 to a specialty hospital in which a physician has an ownership or investment interest. Absent this moratorium, there are no restrictions specific to specialty hospitals under state law, although the establishment and

operation of such a hospital is subject to the same Department of Health licensing requirements and regulatory oversight as hospitals in general.

**Summary of Bill:**

Chapter 39 (SSB 5178), 2005 is amended to extend the moratorium that prohibits the Department of Health from licensing any specialty hospital in which a physician, or his or her immediate family member, has an ownership or investment interest. The July 1, 2006 expiration of the moratorium is delayed until July 1, 2007.

Chapter 39 (SSB 5178), 2005 defines "specialty hospitals" to include any hospital that is primarily or exclusively engaged in the care and treatment of: (1) patients with a cardiac condition; (2) patients with an orthopedic condition; (3) patients receiving a surgical procedure; and (4) and other specialized category of services that the Secretary of Health and Human Services designates as a specialty hospital.

Statements of legislative findings are made that it would be premature to impose distinct licensing requirements on specialty hospitals before the Certificate of Need Task Force submits its report in November 2006.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.